

Comparison of State Spending Limits Current Law (LD 1) vs. TABOR (LD 2075) Overview/Summary

Historical Comparisons (See Page 3 for Table and Graph)

The table and graph on page 3 provide a historical comparison of these different spending limits and the hypothetical effect on General Fund "spending" if the limitations had been in effect for the previous 20 years. Over the 20-year period, fiscal years 1986 to 2005, the growth of General Fund appropriations and expenditures substantially exceeded the amount that would have been allowed under the TABOR proposal or the appropriation limitation under current law. The calculated growth factor allowed under the TABOR proposal averaged 3.71% over the 20 year period while the calculated growth factor under the current law appropriation limitation averaged 2.97%. The value of this historical analysis is limited to a comparison of the percentage growth rates allowed over the period with the following assumptions and qualifications:

Education Spending - Current law allows for the growth of school subsidy expenditures over the fiscal year 2005 appropriation to grow separately from the appropriation limitation until the State's share of Essential Programs and Services Funding equals 55% (current law anticipates that funding percentage in fiscal year 2009). The historical analysis does not factor in this separate growth allowance.

Base Year Differences - Current law allows growth from a fixed base year amount (fiscal year 2005 appropriations as of December 1, 2004) and future limits are based on the limit for the prior year and are adjusted at the beginning of each legislative biennium, December of even-number years. TABOR is adjusted annually and is assumed to be based on the prior year expenditures. The historical analysis starts with fiscal year 1985 actual expenditures, but the annual adjustments are based on the prior years appropriation limit (actual expenditures could not be used because they exceeded the limit). Over that 20-year period, expenditures have averaged approximately \$14 million or 0.65% less than appropriations. Under TABOR, it is assumed that the spending limitation would adjust based on actual expenditures of the prior fiscal year. This historical analysis of TABOR is unable to capture that effect that on average would further limit spending below the historical amounts.

Override Provisions - Both current law limitation and TABOR allow for spending above the limits or an "override" by a vote of the Legislature and in the case of TABOR an additional referendum vote. The historical data and the projections can not account for the potential exceptions to the limits and assume no overrides.

Projections of the Effect of Spending Limits - 2008-2009 Biennium

The tables and graphs on pages 4 and 5 represent projections of General Fund and Highway Fund appropriations/allocations and budgeted revenue and projections of the 2 different spending limitations. The estimates of General Fund appropriations and Highway Fund allocations are based on the September 30, 2006 projections of the General Fund and Highway Fund structural gaps for the 2008-2009 biennium as reported by the Bureau of the Budget. Economic assumptions are based on the most recent projections of the Consensus Economic Forecasting Commission that will be included in the commission's November 2006 report. Fiscal year 2008 is assumed to be the first year to which TABOR would apply if approved by the voters at the November 2006 election. The projections of the TABOR limit are subject to much greater error/variance due to the following major differences between the 2 spending limitations:

Appropriations and Allocations vs. Expenditures - As noted above the historical amounts assume that appropriations equal actual expenditures for the purpose of calculating the limit amounts. In most instances, actual expenditures vary from authorized, appropriated or allocated amounts since the legislative allocations establish an upper limit authority. However, prior year balances carried forward or prior year encumbered funds will be recorded in the fiscal year in which they are actually expended and may in some instances result in expenditures exceeding appropriations or allocations.

Fiscal Year 2007 Expenditures - The TABOR spending limitation will not be finalized for fiscal year 2008 until fiscal year 2007 actual expenditures are finalized, which are not only subject to the variance from final appropriated amounts as noted above, but will also be subject to Legislative adjustments through the 123rd Legislature, 1st Regular Session.

Projections for General Fund (see Page 4)

The projections of budgeted revenue are lower than the TABOR limitation for each year of the 2008-2009 biennium (\$42 million and \$60 million in fiscal year 2008 and 2009, respectively). However, projected current services expenditures are substantial above the TABOR limit (\$201 million and \$275 million in fiscal year 2008-2009, respectively). The TABOR limit is based on fiscal year 2007 spending determined by current appropriated amounts. This estimate of spending may vary over the course of the next year depending on Legislative actions and by the difference between appropriated amounts and actual expenditures. The current law spending limit is projected to be substantially above projected revenue (\$227 million and \$316 million in fiscal years 2008 and 2009, respectively), but is below current services estimates of expenditures by less than \$20 million each year.

Revenue Growth - The current estimates of budgeted revenue for the General Fund present the greatest constraint on the growth of General Fund spending. A revision to this forecast is pending (due by December 1st), which may change the fiscal year 2007 and subsequent fiscal year revenue estimates based on fiscal year 2006 positive revenue performance. While a hypothetical growth rate of 2.5% from fiscal year 2006 levels (based on fiscal year 2009 growth) would bring the budgeted revenue projections above the TABOR limit and would eliminate the shortfall for the "baseline" appropriation levels, revenue growth would still fall far short of estimates of General Fund current services spending requirements.

Education Subsidy Spending Exemption - For the General Fund, the critical difference in the short term between the TABOR limits and the current law limitation is the exception in the current law limitation for the growth of education subsidy appropriations. That exception allows additional appropriations of \$246.4 million in fiscal year 2008 and \$319.7 million in fiscal year 2009 to allow the state to achieve the 55% funding goal. It is this exception for school subsidies that make TABOR more restrictive in the short-term. Both the historical calculations and projections of the percentage growth factors show that TABOR's percentage has been and is projected to be less restrictive than the current law's growth factor.

Projections for Highway Fund (see Page 5)

Current law does not place any spending limitations on the Highway Fund. Although Highway Fund departmental requests are restricted to a growth factor under current law, the Governor's recommendations and overall Highway Fund allocations are not. The projections of the TABOR limitation exceed budgeted Highway Fund revenue by \$23 million in fiscal year 2008 and \$27 million in fiscal year 2009. The projected current services spending requirements for the Highway Fund exceed the TABOR limit by \$17 million each in fiscal years 2008 and 2009.

As noted previously, the TABOR limit is subject to change each year based on the previous actual expenditures and the Legislature may adjust allocations and spending through the 1st Regular Session of the 123rd Legislature. Over the last 20 years, Highway Fund expenditures have averaged approximately \$1.0 million or 0.22% less than Highway Fund allocations. Fiscal year 2006 expenditures were an outlier in the historical data as expenditures exceeded allocations by \$21.4 million as a result of spending down balances due to the shortfall in the Highway and Bridge Improvement program. Based on this current shortfall, it seems very likely that the Legislature will revisit Highway Fund spending during the 1st Regular Session of the 123rd Legislature.

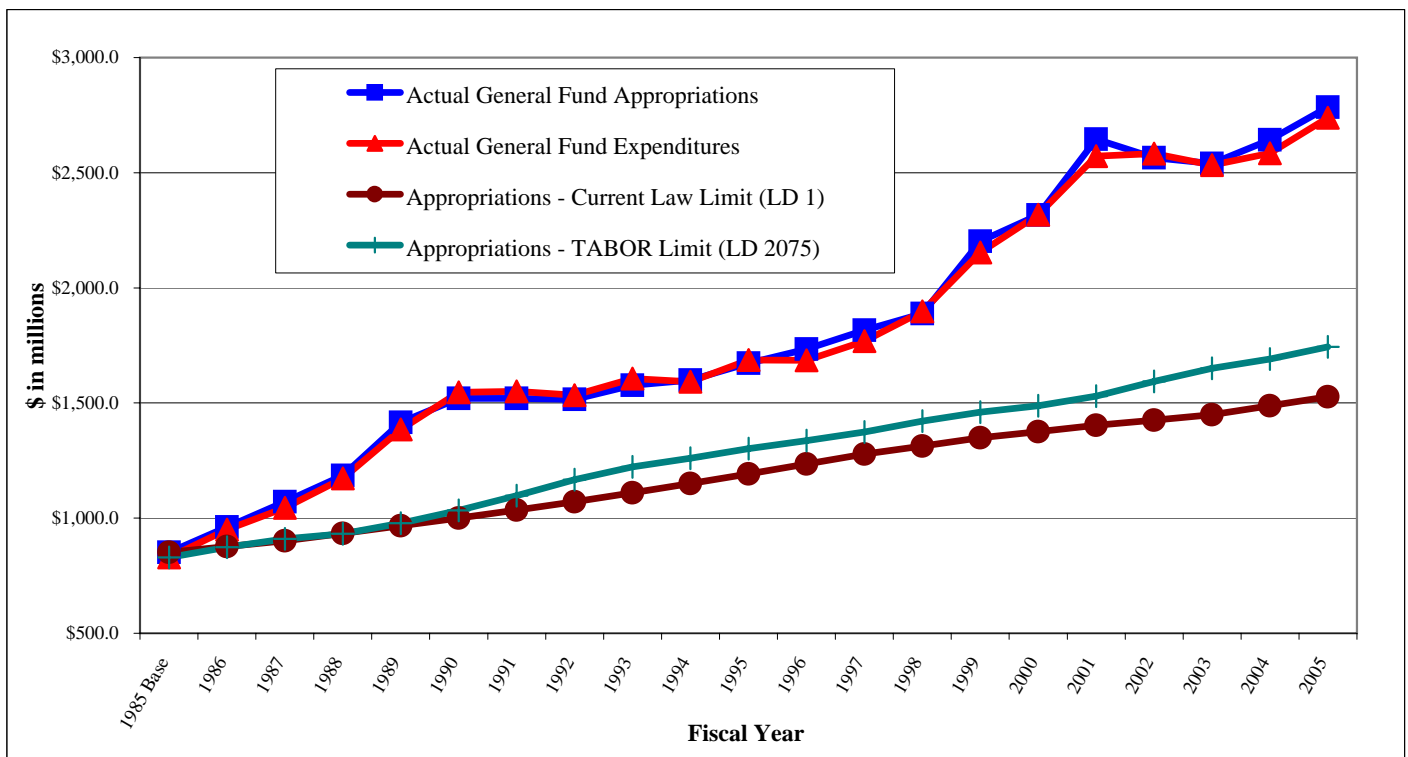
Revenue Growth - As with the General Fund, the current estimates of budgeted revenue for the Highway Fund present the greatest constraint on the growth of Highway Fund spending. A revision to this forecast is pending (due by December 1st), which may change the fiscal year 2007 and subsequent fiscal year revenue estimates. However, unlike the General Fund, Highway Fund revenue performance, particularly fuel tax revenue may result in a downward revision in the overall forecast.

Fuel Tax Indexing Suspension - The limitation of Highway Fund revenue growth under TABOR is assumed to be even more a limitation. TABOR would require that the annual indexing of fuel tax rates based on inflation would only take effect if approved by a referendum vote. The elimination of this indexing eliminates Highway Fund revenue growth for the 2008-2009 biennium and is projected to be below current fiscal year 2007 revenue estimates. With the assumed suspension of indexing in fiscal years 2008 and 2009, Highway Fund revenue is projected to be \$30 million and \$41 million, respectively, below the TABOR limitation.

Historical Comparison of Spending Limits - Current Law (LD 1) vs. TABOR (LD 2075) ¹

FY 1985 Base Year - FY 1986 to FY 2005 Results

Fiscal Year	Actual General Fund Appropriations	Annual % Chg.	Actual General Fund Expenditures	Annual % Chg.	Appropriations - Current Law Limit (LD 1)	Allowed Growth Rate	Appropriations - TABOR Limit (LD 2075)	Allowed Growth Rate
1985 Base	852,217,893		829,616,608		852,217,893		829,616,608	
1986	961,825,581	12.86%	950,501,989	14.57%	876,592,422	2.86%	873,166,259	5.25%
1987	1,070,583,411	11.31%	1,045,190,655	9.96%	901,664,093	2.86%	909,642,069	4.18%
1988	1,184,719,563	10.66%	1,172,430,121	12.17%	933,754,978	3.56%	932,532,274	2.52%
1989	1,415,950,225	19.52%	1,384,757,750	18.11%	966,988,000	3.56%	978,222,238	4.90%
1990	1,520,692,150	7.40%	1,546,860,222	11.71%	1,000,333,214	3.45%	1,034,018,970	5.70%
1991	1,520,285,074	-0.03%	1,550,964,764	0.27%	1,034,828,290	3.45%	1,097,777,970	6.17%
1992	1,516,169,287	-0.27%	1,533,844,301	-1.10%	1,071,716,845	3.56%	1,167,615,945	6.36%
1993	1,577,593,982	4.05%	1,606,620,231	4.74%	1,109,920,366	3.56%	1,222,147,002	4.67%
1994	1,599,447,945	1.39%	1,592,804,301	-0.86%	1,150,246,148	3.63%	1,260,573,404	3.14%
1995	1,673,401,754	4.62%	1,686,997,648	5.91%	1,192,037,052	3.63%	1,301,642,801	3.26%
1996	1,733,842,806	3.61%	1,685,207,128	-0.11%	1,234,616,677	3.57%	1,335,959,573	2.64%
1997	1,815,498,708	4.71%	1,768,652,528	4.95%	1,278,717,249	3.57%	1,374,318,261	2.87%
1998	1,888,812,553	4.04%	1,898,373,018	7.33%	1,313,306,651	2.71%	1,420,769,460	3.38%
1999	2,201,734,442	16.57%	2,153,508,109	13.44%	1,348,831,699	2.71%	1,460,482,153	2.80%
2000	2,316,629,198	5.22%	2,317,138,580	7.60%	1,375,763,547	2.00%	1,488,219,545	1.90%
2001	2,645,121,992	14.18%	2,571,368,893	10.97%	1,403,233,138	2.00%	1,529,860,717	2.80%
2002	2,565,345,849	-3.02%	2,583,684,236	0.48%	1,425,864,054	1.61%	1,594,309,736	4.21%
2003	2,540,382,576	-0.97%	2,533,197,609	-1.95%	1,448,859,954	1.61%	1,650,541,830	3.53%
2004	2,642,999,485	4.04%	2,584,232,096	2.01%	1,487,648,202	2.68%	1,690,356,949	2.41%
2005	2,784,473,472	5.35%	2,738,123,135	5.96%	1,527,474,872	2.68%	1,743,413,986	3.14%
Ave. % Change (1986 to 2005)		5.75%		5.73%		2.97%		3.71%
Ave. % Change (1996 to 2005)		5.40%		5.54%		2.39%		3.00%
Ave. % Change (2001 to 2005)		1.29%		1.58%		2.14%		3.32%



¹ See narrative Overview/Summary for major assumptions and limitations of this comparison.

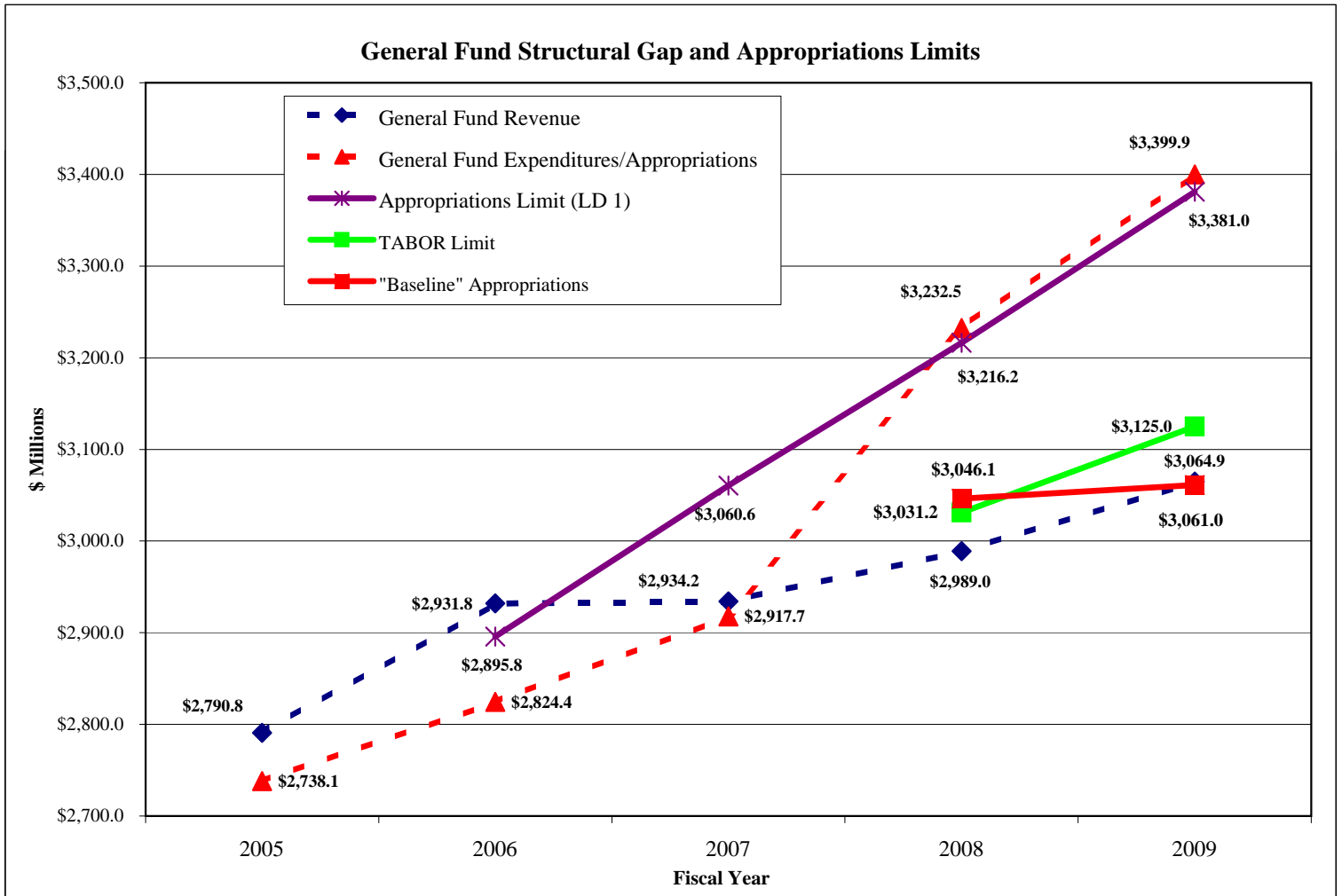
General Fund Projections of Spending Limits - Current Law (LD 1) vs. TABOR (LD 2075) ¹

	Actual	Actual	Budgeted ²	Projections ²	
	2005	2006	2007	2008	2009
General Fund Revenue	\$2,790,845,053	\$2,931,825,687	\$2,934,190,370	\$2,988,997,412	\$3,064,864,549
Annual % Change	4.0%	5.1%	0.1%	1.9%	2.5%
General Fund Expenditures/Appropriations	\$2,738,123,135	\$2,824,410,407	\$2,917,678,445	\$3,232,467,824	\$3,399,880,770
Annual % Change	6.0%	3.2%	3.3%	10.8%	5.2%
Transfers and Adjustments to Balance	(\$33,931,752)	(\$126,561,325)	(\$31,009,777)	\$0	\$0
Ending Balances (Projected Annual Shortfalls)	\$33,662,644	\$14,516,599	\$18,747	(\$243,451,665)	(\$335,016,221)
	Actual End Balance	Actual End Balance	Budget End Balance	Excludes Negative Balance Forward	

Calculation of Appropriations Limitations (Based on LD 1, PL 2005, c. 2):

	Base Amounts				
A Total Appropriations (Increased by Growth Factor, see D)	\$2,709,902,078	\$2,794,180,033	\$2,881,079,032	\$2,969,816,266	\$3,061,286,607
B Appropriations to General Purpose Aid for Local Schools	\$734,536,621	\$836,115,966	\$914,098,222	\$980,912,804	\$1,054,219,599
C General Purpose Aid Growth from FY05 until 55% State Share		\$101,579,345	\$179,561,601	\$246,376,183	\$319,682,978
D Annual Growth Factor Applied to Appropriations Limit		3.11%	3.11%	3.08%	3.08%
- Total Appropriations Allowed (A + C)		\$2,895,759,378	\$3,060,640,633	\$3,216,192,449	\$3,380,969,585

	Base Amounts			
Calculation of TABOR Spending Limits (LD 2075, IB 1)				
Annual Growth Percentage			3.89%	3.10%
Projected TABOR General Fund Spending Limits		\$2,917,678,445	\$3,031,152,138	\$3,124,994,730

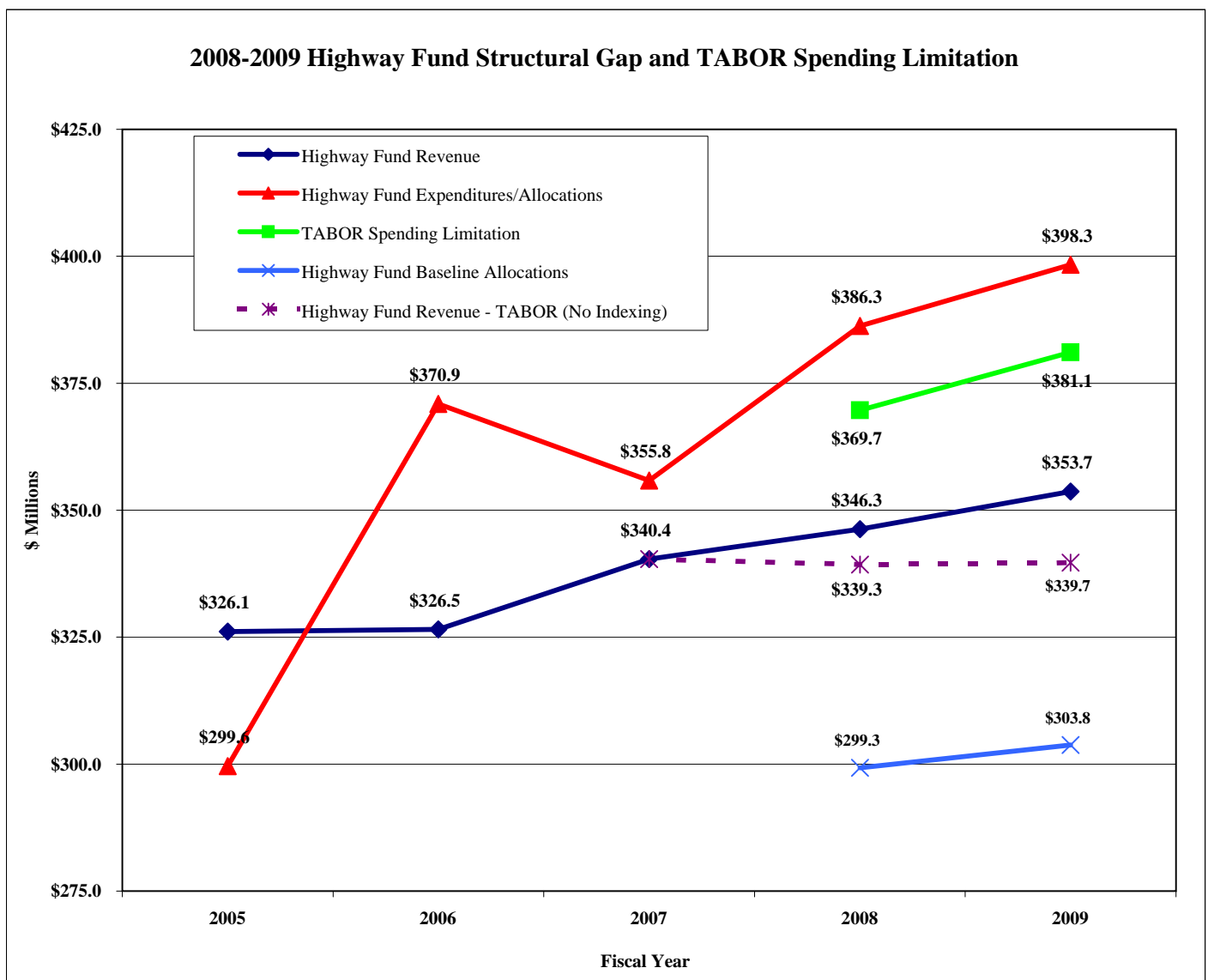


¹ See narrative Overview/Summary for major assumptions and limitations of this comparison.

² Budgeted data reflect amounts appropriated through the 2nd Regular Session of the 122nd Legislature and March 2006 revenue forecast. Projections of appropriations and "baseline" appropriations are from the Bureau of the Budget's Revenue & Expenditures Projections as of September 30, 2006. Projections of revenue reflect March 2006 forecast adjusted by legislative changes through the 2nd Regular Session of the 122nd Legislature.

Highway Fund Projections of TABOR (LD 2075) Spending Limits ¹

	Actual	Actual	Budget ²	Projections ²	
	2005	2006	2007	2008	2009
Highway Fund Revenue	\$326,078,155	\$326,546,157	\$340,392,025	\$346,272,439	\$353,660,054
Annual % Change	4.5%	0.1%	4.2%	1.7%	2.1%
Highway Fund Expenditures/Allocations	\$299,596,972	\$370,948,351	\$355,824,472	\$386,301,962	\$398,316,158
Annual % Change	5.7%	23.8%	-4.1%	8.6%	3.1%
Transfers and Adjustments to Balance	(\$8,493,438)	\$36,701,361	\$15,463,276	\$0	\$0
Ending Balances (Projected Annual Shortfalls)	\$8,731,058	\$1,030,224	\$1,061,053	(\$38,968,470)	(\$44,656,104)
* Amounts from March 2006 Structural Gap Estimates	Actual End Balance	Actual End Balance		Excludes Balance Forward	
Calculation of Highway Fund Spending Limits (Based on LD 2075, IB 1, "TABOR")			Base Amounts		
Projected TABOR Spending Limit Growth Percentages				3.89%	3.10%
Estimated Expenditures/Allocations			\$355,824,472	\$369,663,117	\$381,107,658
Projected Highway Fund Revenue with no Fuel Tax Indexing				\$339,286,479	\$339,688,385



¹ See narrative Overview/Summary for major assumptions and limitations of this comparison.

² Budgeted data reflect amounts appropriated through the 2nd Regular Session of the 122nd Legislature and March 2006 revenue forecast. Projections of appropriations and "baseline" appropriations are from the Bureau of the Budget's Revenue & Expenditures Projections as of September 30, 2006. Projections of revenue reflect March 2006 forecast adjusted by legislative changes through the 2nd Regular Session of the 122nd Legislature.